

Mexico

Agri-Food Export Market Assessment Report

Statistical Update

Forward

This information piece is provided to update the statistical information of existing documents on Mexico, in particular the Mexico Agri-food Export Market Assessment Report produced in 1998. The report is believed to continue to contain information useful to Canadian exporters, but due to the recent economic developments an update of certain information was believed necessary.

Background

The United Mexican States or Mexico has a large population base which has benefitted economically from its inclusion in the North American Free Trade Agreement (NAFTA). NAFTA members now account for 91% of Mexico's total exports and 76% of imports.

Demographics	
Total Population	100,349,766
Growth Rate	1.53%
Age Breakdown	
0-14 yrs	34%
15-64 yrs	62%
65 years and over	4%
Life Expectancy	
Total	71.49 yrs
Male	68.47 yrs
Female	74.66 yrs

Geography

Mexico borders the Caribbean Sea, the Gulf of Mexico and the North Pacific Ocean. It has a total land area of 1,972,550 sq km. Mexico's climate varies from tropical to desert with terrain marked by high rugged mountains; low costal plains bordering high plateaus and deserts. The country is susceptible to a number of hazardous conditions including: hurricanes, tsunamis, volcanoes and earthquakes.

Mexico's population is highly urbanized with over 22% living in the capital (Mexico City) and the surrounding areas. Mexico's three largest city's account for 35% of the population.

Largest Cities	
Mexico City	20 million
Guadalajara	2.9 million
Monterrey	2.5 million

Mexico's natural resources include: petroleum, silver, copper, gold, lead, zinc, natural gas and timber.

Agriculture

Despite its size and tropical climate Mexico only has 12% arable land, with 1% permanent crops and 39% permanent pastures. As a result agriculture comprises only 5% of Mexico's GDP. However, agriculture continues to employs 25% of the population. Mexico has over 61,000 km of irrigated land.

The food processing industry is one of Mexico's most important industries and dominates the economies of the western states. However, the industry as a whole is badly under mechanized and outdated. The agricultural sectors problems are primarily centered around high farm debt and the inability to secure loans to update farm equipment. As a result Mexico's agricultural productivity has been in steady decline.

The state of Jalisco is Mexico's primary agricultural producer of basic foodstuffs, while the state of Nayarit is an important producer of some of Mexico's cash crops like coffee, sugar cane and corn. Most states produce significant amounts of exportable foodstuffs, like avocados, tomatoes, wheat and sugar. Mexico's primary agricultural products include: corn, wheat, soybeans, rice, beans, cotton, coffee, fruit, tomatoes, beef, poultry and dairy products.

Over 60% of Mexico's farmers are involved in producing basic foodstuffs. Agriculture continues to be important to a number of Mexicans at the subsistence level. The government has made several attempts to consolidate the sector by making it possible for the development of large more profitable farms, but very few of Mexico's farmers have opted to sell their newly acquired land.

Economy

During the past decade Mexico has made great strides to open its economy and in conjunction with a strict and well organized economic plan they continue to make changes to facilitate further growth. Analysts have described Mexico's economic policy as a sound platform for an extend period of growth. Unlike neighboring countries, Mexico, with the help of secure NAFTA trade, came out of the recent series of global financial crisis in Asia and Russia relatively unscathed. Mexico's economy has been rated one of the top three safest among emerging markets. Inflation is also in the process of being tackled and single digit inflation is definitely insight.

Since 1982 the Mexican government has been privatizing the nation's industries, a plan which is continuing under the current government. Mexico has traditionally been plagued by post election financial crises. However, in 2000 growth rates are still expected to maintain rates of 4.5% due to the strong NAFTA relationship, high oil prices, and a steady increase in domestic consumption

Mexico's exports have offered a great deal of protection against the turbulent global economy which has had a significant impact on some of its neighbors.

While there are many positives in the Mexican economy the banking sector is still believed to be vulnerable and because of the countries dependance on US trade it is very susceptible to downturns in the US economy.

Economic Indicators

GDP	US\$456 billion (2000)
GDP Growth	4% (2000)
GDP per capita	US\$4,900
Inflation	15.4%
GDP by Sector	
Agriculture	5%
Industry	29%
Services	66%

Underemployment is an ongoing problem in Mexico, but the unemployment rate should be looked at as a positive. Mexico's minimum wage has increased substantially in recent years and as a result domestic consumption has risen.

Labor force

Total	38.6 million
Unemployment rate	2.5%
By Sector	
Agriculture	24%
Services	55%
Industry and commerce	21%

Trade agreements

Mexico along with the EU and Israel is one of the world's most free traders. Mexico has signed new agreements with a host of countries including: EU, Israel, Guatemala, El Salvador and Honduras. The government is also set to begin talks with Switzerland, Iceland, Norway, Singapore and

Lichtenstein, and an agreement with Panama is hoped to be completed soon. Mexico also has free trade agreements with Chile, Colombia, Venezuela, Bolivia, Costa Rica and Nicaragua. The smaller regional deals, in particular are hoped to impact the Southern Mexican economy in a very positive way.

Exports account for nearly 30% of Mexico's gross domestic product, more than double the pre-NAFTA period. The government has stated that over 1 million jobs have been created in export related activities since NAFTA was implemented, and they are keen to continue the positive growth they have experienced because of these bilateral agreements.

Through these many deals Mexico is hoping to become less dependant on the US, which currently receives 87% of its exports. Two-way trade between Mexico and the U.S. has nearly tripled since the introduction of NAFTA. Few believe that Mexico will become less reliant on the US as an export market, but Mexico is excited about its deal with the EU, its second largest trading partner, and the possibility of recapturing some of its lost market share in the region.

Mexico is a member of the following international organizations: AG (observer), APEC, BCIE, BIS (pending member), Caricom (observer), CCC, CDB, EBRD, ECLAC, FAO, G-6, G-11, G-15, G-19, G-24, IADB, IAEA, IBRD, ICAO, ICC, ICFTU, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Inmarsat, Intelsat, Interpol, IOC, IOM (observer), ISO, ITU, LAES, LAIA, NAM (observer), OAS, OECD, OPANAL, PCA, RG, UN, UNCTAD, UNESCO, UNIDO, UNU, UPU, WCL, WFTU, WHO, WIPO, WMO, WToO, WTrO.

Canada - Mexico Trade and Investment

The Canadian Mexican relationship is defined by their joint membership in the North American Free Trade Agreement (NAFTA). Canada's access to the Mexican market has increased considerably since NAFTA implementation on January 1, 1994. Exports and investment have expanded in previously highly restricted sectors such as machinery and electrical equipment, auto parts, financial services and agri-food.

Mexico has become Canada's largest trading partner in Latin America. Canadian exports increased by 100% to \$4.4 billion from 1994 to 1999. During the same period, total trade increased by 107% to \$13.9 billion, with imports from Mexico up 110% to \$9.5 billion. Canada has become Mexico's second-largest export market after the United States and Mexico is now our third-largest source of imports. Mexico ranks as Canada's eighth-largest export market.

Major Canadian Exports to Mexico include: Motor vehicles, grains, seeds, fruit and cereals, machinery and electrical machinery, chemical products, dairy, eggs, honey, salt, sulfur, wood pulp, fabrics, rubber, plastic, iron and steel.

Major Imports from Mexico include: Electrical machinery, motor vehicles, furniture and bedding, oil, optical equipment, vegetables, fruit and nuts, iron and steel products, iron and steel, woven apparel, glass and glassware, knit apparel, beverages, textile floor coverings.

Mexico was Canada's 4th largest agricultural export market in 1999 with exports valued at \$506,308,995 million. This represented a 14% decrease over 1998 which was a high for the period. However, Canada's exports through September 2000 are well ahead of 1999 and have already match 1997's full year totals. Canada imported \$307,189,056 million worth of

agricultural products from Mexico in 1999, which represented a four year low and a decrease of \$70 million over 1998. Canada had a positive agricultural trade balance of roughly \$199 million with Mexico in 1999.

Canola seed is Canada's largest agricultural export to Mexico representing 33% of total agricultural exports in 1999 with a total of \$115 million. Wheat and meslin was the second largest export with a value of \$102 million representing 27.2% of exports. Bovine cuts boneless, fresh or chilled were the third largest export representing 14% of exports with a value of \$52.6 million. Barley and malt combined for over 7% of Canada's exports to Mexico in 1999.

Canada's agricultural imports from Mexico are very diversified with the largest import (beer) representing less than 13% of total imports. Coffee was the second largest export representing 8% of total exports with a value of \$24 million. Fresh fruits round out Canada's top five imports from Mexico. Mangoes, tomatoes and grapes each accounted for over 7% of Canada's imports from Mexico and were each valued at over \$22 million.

Canadian direct investment in Mexico reached \$2.8 billion in 1999, almost tripling since 1994 and up by 25% over 1998. Manufacturing has attracted the most investment, followed by financial services and mining. Mexican investment in Canada has also grown steadily from a smaller base, and was \$500 million in 1999, up almost \$350 million since 1994.

Competition

Mexico is almost entirely reliant on the US for Trade. The United States receives over 87% of Mexico's exports, and accounts for 75% of Mexico's imports. Canada is Mexico's second largest export market and forth largest source of imports. This illustrates the imports of the

NAFTA agreement to the Mexican import/export market. Since NAFTA came into existence in 1994 Mexico's trade with Canada and the US has doubled. Japan and countries in the EU are also important trade partners as well as an increasing number of South and Central American countries

Mexico's exports were valued at US\$136.8 billion in 1999. Its main exports were manufactured goods, oil and oil products, silver, coffee, cotton. Mexico's largest markets in 1999 were the US 89.3%, Canada 1.7%, Spain 0.6%, Japan 0.5%, Venezuela 0.3%, Chile 0.3% and Brazil 0.3%.

Mexico's imports were valued at US\$142.1 billion in 1999. Primary imports include commodities: metal-working machines, steel mill products, agricultural machinery, electrical equipment, car parts for assembly, repair parts for motor vehicles, aircraft and aircraft parts. Mexico's largest sources of imports in 1999 were the US 74.8%, Germany 3.8%, Japan 3.5%, Canada 1.9%, South Korea 2%, Italy 1.3% and France 1%.

Investment

The Foreign Investment Law provides national treatment for most foreign investment, eliminates performance requirements, and liberalizes criteria for automatic approval of foreign investment proposals. NAFTA investors receive both national and Most Favored Nation (MFN) treatment in setting up operations or acquiring firms, except where reservations have been established.

In keeping with their NAFTA requirements, Mexico has updated its investment policies. Many of Mexico's industries have been opened to foreign investment and many of the requirements that once accompanied foreign investment have now been removed, such as performance requirements. All foreign investment applications are now automatically accepted unless they exceed US\$25 million. The National Foreign Investment Commission must approve all

applications for investment in excess of US\$25 million.

There are still some limitations on foreign ownership of real estate, including the ownership of agricultural land. Foreigners are also excluded for investing in passenger and cargo transportation, educational services, newspapers and gas stations.

Mexico has bilateral foreign investment agreements with Germany, Belgium, Austria, the Netherlands, Spain, Chile, Columbia, Venezuela, Bolivia, and Canada and the US through NAFTA.